

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 NSAE-00 USIA-06 TRSE-00 ERDA-05  
CIAE-00 CAB-02 DOTE-00 INR-07 CIEP-01 FAA-00 L-03 H-01  
PM-04 NSC-05 SP-02 SS-15 SAJ-01 /073 W  
-----281621Z 068019 /45

R 271331Z JAN 77  
FM AMEMBASSY STOCKHOLM  
TO SECSTATE WASHDC 9642  
INFO DOD WASHDC  
USDOC WASHDC  
AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 1 OF 2 STOCKHOLM 390

E.O. 11652: GDS  
TAGS: EAIR, EEWT, ESTC, UR, SW  
SUBJECT: STANSAAB APPLICATION FOR EXPORT LICENSES FOR ATC CON-  
TRACT WITH USSR

REF: (A) STOCKHOLM 0149 (NOTAL), (B) MOSCOW 0463 (NOTAL),  
(C) STOCKHOLM 0031 (NOTAL)

1. SUMMARY. DURING A LUNCHEON AT THE AMBASSADOR'S RESIDENCE  
JANUARY 24, MINISTER OF INDUSTRY NILS ASLING AND HIS COLLEAGUES  
AGAIN RAISED THE QUESTION OF THE SWEDISH SALE OF AIR TRAFFIC  
CONTROL SYSTEMS (ATC) TO THE SOVIET UNION. ASLING AND HIS  
COLLEAGUES EXPRESSED THE HOPE THAT A US DECISION MIGHT BE  
FORTHCOMING SOON ON EXPORT OF CERTAIN COMPONENTS IN THE SWEDISH  
SYSTEM. IN THIS MESSAGE THE EMBASSY BRIEFLY REVIEWS THE STATE  
OF PLAY IN THE MATTER AND PUTS FORWARD OUR OWN HOPE THAT,  
WHETHER THE ANSWER IS YEA OR NAY, AN ANSWER WILL BE FURNISHED  
SOON. END SUMMARY

2. AT THE AMBASSADOR'S LUNCHEON FOR ASLING, STEN NIKLASSON  
(HEAD OF THE MINISTRY'S INTERNATIONAL SECRETARIAT) BROUGHT  
UP STANSAAB'S ATC SALE TO THE USSR AND EXPRESSED THE HOPE,  
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IN WHICH ASLING CONCURRED, FOR AN EARLY US RESPONSE ON  
THE EXPORT OF US COMPONENTRY. THE AMBASSADOR EXPLAINED  
THE COMPLEXITY OF THE QUESTION FOR WASHINGTON AND NOTED  
THAT THE MATTER HAD NOT BEEN RAISED OFFICIALLY BY THE GOS.  
THE SWEDISH OFFICIALS ACKNOWLEDGED THAT THIS WAS TRUE,  
BUT SAID THE GOS WAS OF COURSE SYMPATHETIC TO STANSAAB IN  
A DEAL OF THIS MAGNITUDE. THEY ADDED THAT STANSAAB WAS

CONCERNED FOR FEAT THE CHANGE OF US ADMINISTRATIONS MIGHT PUT A HOLD ON THE DECISION IN WASHINGTON. THE AMBASSADOR SAID HE BELIEVED THE STUDY WOULD GO FORWARD AS RAPIDLY AS POSSIBLE DESPITE THE CHANGE OF ADMINISTRATIONS.

3. A BRIEF REVIEW OF THE SITUATION AS SEEN FROM STOCKHOLM MAY BE USEFUL. IN THE FALL OF 1975, STANSAAB WAS THE SUCCESSFUL BIDDER IN A SOVIET CONTRACT FOR A NEW ATC SYSTEM FOR SEVERAL AIRPORTS, INCLUDING MOSCOW AND LENINGRAD. ONE UNSUCCESSFUL BIDDER WAS SPERRY-UNIVAC, WHICH HAD CHECKED IN ADVANCE WITH COMMERCE RE SOME SENSITIVE COMPONENTRY AND WAS ADVISED IT HAD TO DOWNGRADE ITS PROPOSAL BEFORE IT COULD EXPECT APPROVAL. (SOME US OFFICIALS BELIEVE THE MORE SOPHISTICATED ASPECTS OF THE STANSAAB PROPOSAL INFLUENCED ITS WINNING THE CONTRACT.) STANSAAB APPLIED FOR EXPORT LICENSES FOR US COMPONENTS IN EARLY 1976, AND IN A SERIES OF MEETINGS WITH WASHINGTON AGENCIES LEARNED THAT APPROVAL WAS DOUBTFUL, IF NOT IMPOSSIBLE, WITHOUT DOWNGRADING ITS PROPOSAL FOR INSTALLING THE STANSAAB TERCAS SYSTEM. STANSAAB MANAGING DIRECTOR GUNNAR WEDELL HAS RECEIVED COOPERATION IN KEEPING STANSAAB'S APPLICATIONS OPEN WHILE HE PRESENTED EVIDENCE IN FAVOR OF A POSITIVE DECISION BY THE OFFICE OF EXPORT ADMINISTRATION. WEDELL'S LATEST INTERVENTION WAS A DESCRIPTION OF THE SOVIET ATC SYSTEM CALLED START IN LENINGRAD (FORWARDED BY THE EMBASSY, REF A). AFTER STUDYING START, WEDELL ARGUES THAT THE SOVIETS ALREADY HAVE THE CAPABILITY TO DESIGN, INSTALL AND OPERATE A SYSTEM AS SOPHISTICATED AS TERCAS, SO THAT COMPLETION OF THE

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STANSAAB CONTRACT (WITH US COMPONENTS) WOULD NOT GIVE THE USSR ANY CAPABILITY IT DOES NOT NOW POSSESS.

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PM-04 NSC-05 SP-02 SS-15 SAJ-01 /073 W

-----281622Z 086851 /45

R 271331Z JAN 77

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 9643

INFO DOD WASHDC

USDOC WASHDC

AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 2 OF 2 STOCKHOLM 390

4. WITH THE MATTER OF US COMPONENTS PENDING, STANSAAB HAS MOVED AHEAD WITH OTHER ASPECTS OF THE CONTRACT. SINCE LATE NOVEMBER, SEVERAL SOVIET TECHNICIANS HAVE BEEN IN TRAINING IN SWEDEN IN THE OPERATION OF TERCAS; THEY WILL BECOME INSTRUCTORS IN THE USSR. THE SOVIETS HAVE CARRIED OUT SOME OF THE CONSTRUCTION NECESSARY UNDER THE CONTRACT, ALTHOUGH BELATEDLY, AND STANSAAB REPS IN MOSCOW HAVE RECEIVED A LIMITED AMOUNT OF MATERIAL (REF C). THE SOVIETS ARE REPORTEDLY CHECKING ON RADAR EQUIPMENT WHICH STANSAAB HAS CONTRACTED FOR FROM THE ITALIAN FIRM SELENIA (REF B).

5. ALTHOUGH WE HAVE NO DIRECT CONFIRMATION, THE EMBASSY BELIEVES THAT STANSAAB WILL PRESS FORWARD WITH THE CONTRACT, IF IT IS AT ALL TECHNICALLY POSSIBLE, EVEN WITHOUT THE SENSITIVE US COMPONENTS, BY PROCURING THEM FROM THIRD COUNTRY SOURCES. THE CONTRACT IS HIGHLY IMPORTANT NOT ONLY TO STANSAAB (WHERE IT WILL PROVIDE A LARGE PART OF PRODUCTION OVER THE NEXT FOUR YEARS) BUT ALSO TO THE SWEDISH COMPUTER INDUSTRY. THE GOS OWNS HALF OF STANSAAB, WITH THE OTHER HALF HELD BY THE SAAB-SCANIA AB GROUP, ONE OF SWEDEN'S MAJOR COMPANIES. AT A TIME OF ECONOMIC  
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DIFFICULTY FOR THE NEW GOS, WE MUST EXPECT STANSAAB TO SCRIMMAGE HARD TO KEEP ITS ATC CONTRACT ALIVE.

6. IT IS OBVIOUS THAT THE EMBASSY IS NOT PUTTING FORWARD ANY ARGUMENTS WITH REGARD TO THE EXPORT OF US COMPONENTS IN THIS MATTER; THAT IS NOT OUR BUSINESS. OUR CONCERN IS TIMING. THE MATTER IS MADE MORE SENSITIVE BY THE FACT THAT THE SAAB-SCANIA SUBSIDIARY WHICH PRODUCES THE VIGGEN AIRCRAFT APPROACHED US IN OCTOBER 1975 FOR A MAJOR DECISION REGARDING VIGGEN SALES ABROAD, AND A NEGATIVE DECISION WAS NOT GIVEN UNTIL NINE MONTHS LATER. SINCE THE SAME COMPANY IS INVOLVED, IT IS THE DELAY THAT IS SENSITIVE. WE SHOULD ADD THAT THE GOS HAS BEEN CAREFUL NOT TO INTERVENE IN THESE QUESTIONS, LARGELY BECAUSE IT CONSIDERS THE US-SWEDISH ARMAMENTS RELATIONSHIP SO IMPORTANT

THAT IT DOES NOT WISH TO DO ANYTHING TO HAMPER GOOD  
RELATIONS IN THIS AREA.

7. ACTION REQUESTED. WITHOUT VOICING ANY OPINION AS TO  
WHETHER THE ANSWER SHOULD BE YES OR NO REGARDING EXPORT  
OF US COMPONENTS, THE EMBASSY REQUESTS THAT THE RESPONSIBLE  
AGENCIES SEEK A RAPID END TO THE STUDY OF THIS QUESTION AND  
AN EARLY REPLY FOR THE SWEDES

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## Message Attributes

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